United Nations A/CN.9/WG.VI/WP.59

General Assembly

Distr.: Limited
16 January 2014

Original: English

United Nations Commission on International Trade Law
Working Group VI (Security Interests)
Twenty-fifth session
New York, 31 March-4 April 2014

Draft Model Law on Secured Transactions

Note by the Secretariat

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Chapter I. Scope of application and general provisions

Article 1. Scope of application

1. This Law applies to all rights in movable assets created by agreement that secure the payment or other performance of an obligation, regardless of the form of the transaction or the terminology used by the parties, the type of asset, the status of the grantor or secured creditor, or the nature of the secured obligation.

2. Subject to article 87, the Law applies to outright transfers of receivables.

[3. Notwithstanding paragraphs 1 and 2 of this article, this Law does not apply to:

(a) Rights to draw under an independent undertaking;

(b) Aircraft, railway rolling stock, space objects, ships as well as other categories of mobile equipment in so far as such asset is covered by other law and the matters covered by this Law are addressed in that other law;

[(c) Intellectual property in so far as this Law is inconsistent with law relating to intellectual property;][1]

(d) [Intermediated] securities;

(e) Payment rights arising under or from financial contracts governed by netting agreements, except a receivable owed on the termination of all outstanding transactions;

(f) Payment rights arising under or from foreign exchange transactions;

(g) Proceeds of an excluded type of asset even if the proceeds are of a type of asset to which this Law applies, but only to the extent that other law applies; and

(h) [...].][2]

4. This Law does not apply to a security right created in favour of an individual for his or her personal, family or household purposes.

5. Nothing in this Law affects the rights and obligations of a grantor or a debtor of an encumbered receivable under special laws relating to the protection of parties to transactions made for personal family or household purposes.

[6. Paragraphs 4 and 5 of this Law apply to [small enterprises] [micro-businesses].]

7. Except as provided in articles 74 and 75, nothing in this Law overrides contractual or legal limitations on the creation or enforcement of a security right in, or the transferability of, specific types of asset.

[*Note to the Working Group: The Working Group may wish to consider paragraph 3 of this article once it has completed the first reading of the draft Model Law. With respect to consumer transactions, the Working Group may wish to note that: (a) paragraph 4, which is based on article 4, subparagraph 1 (a) of the* United Nations Convention on the Assignment of Receivables in International Trade

[1] The enacting State will have to adjust this provision to fit its intellectual property law.

[2] If the enacting State decides to introduce any other exception(s), they should be limited and set out in a clear and specific way.

*(the "*Assignment Convention*"), is intended to exclude secured transactions in which the secured creditor is a consumer; (b) paragraph 5, which is based on article 4, paragraph 4 of the* Assignment Convention*, is intended to implement the policy of recommendation 2, subparagraph (b) of the* UNCITRAL Legislative Guide on Secured Transactions *(the "*Secured Transactions Guide*"), resulting in the application of the draft Model Law to secured transactions in which the grantor or the debtor of an encumbered receivable is a consumer, subject to consumer protection legislation; and (c) both paragraphs 4 and 5 follow the formulation of the* Assignment Convention *(which followed the formulation of the* United Nations Convention on Contracts for the International Sale of Goods *(the "*CISG*"), article 2, subpara. (a)) and refer to the purpose of a transaction rather than to the term "consumer", as the exact meaning of that term would vary from State to State. The Working Group may also wish to note that paragraph 6 is intended to implement a suggestion made at the 24th session of the Working Group that the protection afforded by the draft Model Law to consumers might be extended to micro-businesses (A/CN.9/796, para. 47). If the Working Group decides to retain paragraph 6, it may wish to consider whether a more neutral term could be used that would fit all States. Alternatively, the Working Group may wish to consider whether the guide to enactment of the draft Model Law (the "Guide to Enactment") should explain that the exact meaning of the term "small enterprise", "micro-business" or any other similar term that might be used should be left to each enacting State as what is a small or micro-business would vary from State to State.*]

[Article 2. Definitions

For the purposes of this Law:

[*Note to the Working Group: The Working Group may wish to note that the definitions of the terms "acquisition secured creditor" and "acquisition security right", "financial lease right" and "retention-of-title right" that were included in the terminology of the* UNCITRAL Legislative Guide on Secured Transactions *(the "*Secured Transactions Guide*") have been moved to Annex I on acquisition financing. The Working Group may also wish to note that the references to the unitary and non-unitary approach to secured transactions in the relevant definitions have been deleted as they do not fit in a model law and have been included in Annex I on acquisition financing. The Working Group may also wish to note that, if the Working Group decides that security rights in intellectual property should be covered in the draft Model Law, it may wish to consider whether the definitions included in the* Supplement on Security Rights in Intellectual Property *(the "*Intellectual Property Supplement*") should be added to article 2.*]

(a) "Assignee" means a person to which an assignment of a receivable is made;

(b) "Assignment" means the creation of a security right in a receivable that secures the payment or other performance of an obligation. For convenience of reference, the term also includes an outright transfer of a receivable;

(c) "Assignor" means a person that makes an assignment of a receivable;

(d) "Bank account" means an account maintained by a bank, to which funds may be credited. The term includes a checking or other current account, as well as a

savings or time deposit account. The term does not include a right against the bank to payment evidenced by a negotiable instrument;

[*Note to the Working Group: The Working Group may wish to note that the definitions of the terms "attachment to a movable asset" and "attachment to immovable property", as well as the relevant recommendations have been deleted in the interest of addressing in the draft Model Law key issues and referring for the rest to the recommendations of the* Secured Transactions Guide. *The Working Group may also wish to note that the definitions of terms such as "insolvency court", "insolvency estate" and "insolvency proceedings", and the insolvency chapter of the* Secured Transactions Guide, *have been deleted, as insolvency matters, including definitions, would normally be addressed in insolvency law.*]

(e) "Competing claimant" means a creditor of a grantor that is competing with respect to an encumbered asset with another creditor of the grantor having a security right in the encumbered asset of the grantor and includes:

(i) Another creditor with a security right in the same encumbered asset (whether as an original encumbered asset or proceeds);

(ii) The [enacting State to determine whether reference should be made to an acquisition secured creditor only or also to a seller or financial lessor] of the same encumbered asset that has retained title to it;

(iii) Another creditor of the grantor that has a right in the same encumbered asset;

(iv) The insolvency representative [and creditors] in the insolvency proceedings in respect of the grantor; or

(v) Any buyer or other transferee (including a lessee or licensee) of the encumbered asset;

[*Note to the Working Group: The Working Group may wish to consider whether the bracketed text in subparagraph (iv) should be retained, as in some jurisdictions the estate is represented by the insolvency representative, while in other jurisdictions the estate is represented by the mass of creditors.*]

(f) "Consumer goods" means tangible assets that a person uses or intends to use for personal, family or household purposes;

(g) "Debtor" means a person that owes payment or other performance of a secured obligation and includes a secondary obligor such as a guarantor of a secured obligation. The term includes for convenience of reference an assignor in an outright transfer of a receivable. The debtor may or may not necessarily be the grantor;

(h) "Debtor of the receivable" means a person liable for payment of a receivable and includes a guarantor or other person secondarily liable for payment of the receivable;

(i) "Encumbered asset" means a movable, tangible or intangible, asset that is subject to a security right. The term also includes for convenience of reference a receivable that has been the subject of an outright transfer;

(j) "Equipment" means a tangible asset used by a person in the operation of its business;

(k) "Future asset" means a movable asset, which does not exist or which the grantor does not own or have the power to encumber, at the time the security agreement is concluded;

(l) "Grantor" means a person that creates a security right to secure either its own obligation or that of another person, including [the enacting State to determine whether reference should be made also to a retention-of-title buyer and financial lessee]. The term also includes an assignor in an outright transfer of a receivable;

(m) "Insolvency representative" means a person or body, including one appointed on an interim basis, authorized in insolvency proceedings to administer the reorganization or the liquidation of the insolvency estate;

(n) "Intangible asset" means all forms of movable assets other than tangible assets and includes incorporeal rights, receivables and rights to the performance of obligations other than receivables;

(o) "Inventory" means tangible assets held for sale or lease in the ordinary course of a grantor's business, as well as raw and semi-processed materials (work-in-process);

(p) "Knowledge" means actual rather than constructive knowledge;

(q) "Mass or product" means tangible assets other than money that are so physically associated or united with other tangible assets that they have lost their separate identity;

(r) "Notice" means a communication in writing;

[*Note to the Working Group: In view of the definitions of the term "notice" in the* Secured Transactions Guide *and in the* UNCITRAL Guide on the Implementation of a Security Rights Registry *(the "*Registry Guide*"), the Working Group may wish to consider whether a new term should be introduced and defined in this article to reflect a notice to be registered in the general security rights registry (e.g. "registration notice" or "security right notice"), while the current definition of the term "notice" could be retained to refer to other types of notice (e.g., given in the context of enforcement).*]

(s) "Notification of the assignment" means a notice that reasonably identifies the assigned receivable and the assignee;

[*Note to the Working Group: The Working Group may wish to consider this definition states a substantive rule on the effectiveness of a notification of the assignment that is already addressed in article 82, paragraph 1.*]

(t) "Original contract" means, in the context of a receivable created by contract, the contract between the creditor and the debtor of the receivable from which the receivable arises;

(u) "Possession" means the actual possession only of a tangible asset by a person or an agent or employee of that person, or by an independent person that acknowledges holding it for that person. It does not include non-actual possession described by terms such as constructive, fictive, deemed or symbolic possession;

(v) "Priority" means the right of a person to derive the economic benefit of its security right in preference to a competing claimant;

(w) "Proceeds" means whatever is received in respect of encumbered assets, including what is received as a result of sale or other disposition or collection, lease or licence of an encumbered asset, proceeds of proceeds, civil and natural fruits, dividends, distributions, insurance proceeds and claims arising from defects in, damage to or loss of an encumbered asset;

(x) "Receivable" means a right to payment of a monetary obligation, excluding a right to payment evidenced by a negotiable instrument, a right to receive the proceeds under an independent undertaking and a right to payment of funds credited to a bank account;

(y) "Regulation" means the body of rules adopted by the enacting State with respect to a registry for the purposes of receiving, storing and making accessible to the public information in registered notices with respect to security rights in movable assets[, whether these rules are found in administrative guidelines or the Law];

(z) "Right to receive the proceeds under an independent undertaking" means the right to receive a payment due, a draft accepted or deferred payment incurred or another item of value, in each case to be paid or delivered by the guarantor/issuer, confirmer or nominated person giving value for a draw under an independent undertaking. The term also includes the right to receive payment in connection with the purchase by a negotiating bank of a negotiable instrument or a document under a complying presentation. The term does not include:

(i) The right to draw under an independent undertaking; or

(ii) What is received upon honour of an independent undertaking;

(aa) "Secured creditor" means a creditor that has a security right. For convenience of reference, the term also includes an assignee in an outright transfer of a receivable;

(bb) "Secured obligation" means an obligation secured by a security right. [For convenience of reference, the term also includes the amount owing by the transferor in the case of an outright transfer of a receivable;]

[*Note to the Working Group: The Working Group may wish to note that the bracketed text is intended to facilitate the application of the articles of the draft Model Law that include a reference to the term "secured obligation" to an outright transfer of receivables. Alternatively, text should be included in all relevant articles to address their proper application to outright transfers of receivables (see, for example, article 5, subpara. 2 (c) below).*]

(cc) "Secured transaction" means a transaction that creates a security right. For convenience of reference, the term also includes an outright transfer of a receivable, without re-characterizing it as a secured transaction;

(dd) "Security agreement" means an agreement, in whatever form or terminology, between a grantor and a secured creditor that creates a security right. For convenience of reference, the term also includes an agreement for the outright transfer of a receivable;

(ee) "Security right" means a property right in a movable asset that is created by agreement and secures payment or other performance of an obligation, regardless of whether the parties have denominated it as a security right. For convenience of reference, the term also includes the right of the assignee in an outright transfer of a receivable; and

(ff) "Tangible asset" means every form of corporeal movable asset, such as consumer goods, inventory and equipment.]

[Article 3. Party autonomy

1. Except as otherwise provided in articles [...], the parties may derogate from or vary by agreement the provisions of this Law relating to their respective rights and obligations. Such an agreement does not affect the rights of any person that is not a party to the agreement.

2. The mutual rights and obligations of the parties to a security agreement are determined by:

(a) The terms and conditions set forth in the security agreement, including any rules or general conditions referred to therein; and

(b) Any usage to which the parties to the security agreement have agreed and any practices they have established between themselves.]

[*Note to the Working Group: The Working Group may wish to note that paragraph 1 of this article: (a) is based on article 6 of the* Assignment Convention *(the first part of which is based on article 6 of the* CISG*) and recommendation 10 of the* Secured Transactions Guide *(which refers to specific mandatory law recommendations); and (b) is intended to refer not only to the secured creditor and the grantor but also to other parties whose rights may be affected by the draft Model Law, such as the debtor of an encumbered receivable and a competing claimant, while ensuring that any person not party to such an agreement will not be affected. The Working Group may also wish to note that paragraph 2 of this article: (a) is based on article 11 of the* Assignment Convention *(which in turn is based on article 9 of the* CISG*) and recommendation 110 of the* Secured Transactions Guide *and (b) is intended to reiterate the principle that the parties to the security agreement may structure their agreement in any way they wish to meet their particular needs (as is done in articles 6 and 11 of the* Assignment Convention*, but not in articles 6 and 9 of the* CISG*); and (b) give legislative strength to trade usages agreed upon by the parties and trade practices established between them.*]

Article 4. General standard of conduct

1. A person must exercise its rights and perform its obligations under this Law in good faith and in a commercially reasonable manner.

2. The general standard of conduct set forth in paragraph 1 of this article cannot be waived unilaterally or varied by agreement at any time.

Chapter II. Creation of a security right and rights and obligations of the parties

Section I. Creation of a security right

Article 5. Security agreement

1. A security right is created by a security agreement in accordance with paragraphs 2 to 5 of this article.

2. A security agreement must:

(a) Provide for the creation of a security right;

(b) Identify the secured creditor and the grantor;

(c) Describe the secured obligation [except in the case of an outright transfer of receivables];

(d) Describe the encumbered assets in a manner that reasonably allows their identification[; and

(e) Indicate the maximum monetary amount for which the security right may be enforced].[3]

3. Subject to paragraph 4 of this article, the security agreement must be [contained in] [concluded in] [evidenced by] [contained or concluded in, or evidenced by] a writing that satisfies the minimum content requirements of paragraph 2 of this article and is signed by the grantor.

4. A security agreement may be oral if accompanied by a transfer of the possession of the encumbered asset to the secured creditor.

[*Note to the Working Group: The Working Group may wish to consider: (a) whether the bracketed text in subparagraph 2 (c) should be retained or the matter addressed in the definition of the term "secured obligation" (see article 2, subpara. (bb) above) and in the Guide to Enactment; and (b) whether the meaning of the terms "writing" and "signature" in an electronic context should be addressed in the Guide to Enactment by reference to recommendations 11 and 12 of the* Secured Transactions Guide *and/or in the definitions. The Working Group may wish to note that paragraph 1 is based on recommendation 13 of the* Secured Transactions Guide, *paragraph 2 on recommendation 14, and paragraphs 3 and 4 on recommendation 15.*]

Article 6. Obligations that may be secured

A security agreement may provide for a security right that may secure any type of obligation, whether present or future, determined or determinable, conditional or unconditional, or fixed or fluctuating.

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[3] This subparagraph should be included in the draft Model Law if the enacting State determines that an indication of the maximum monetary amount for which the security right may be enforced would be helpful to facilitate lending from another creditor.

Article 7. Assets that may be encumbered

1. A security agreement may provide for a security right in any type of asset, parts of assets and undivided rights in assets.

2. A security agreement may provide for a security right in future assets but the security right is not created until the grantor acquires rights in the assets or the power to encumber them.

3. A security agreement may provide for a security right in all assets or categories of assets of a grantor, without identifying them individually.

Article 8. Proceeds

1. A security right in an encumbered asset extends to its identifiable proceeds.

2. Where proceeds in the form of money or funds credited to a bank account have been commingled with other assets of the same kind so that the proceeds are no longer identifiable:

(a) The amount of the proceeds immediately before they were commingled is nevertheless to be treated as identifiable proceeds after commingling; and

(b) If, at any time after commingling, the total amount of the asset is less than the amount of the proceeds, the total amount of the asset at the time that its amount is lowest plus the amount of any proceeds later commingled with the asset is to be treated as identifiable proceeds.

Article 9. Assets commingled in a mass or product

1. A security right created in tangible assets before they were commingled in a mass or product continues in the mass or product.

2. A security right in tangible assets that continues in a mass or product pursuant to paragraph 1 of this article is limited in value to the value of the encumbered assets immediately before they became part of the mass or product.

Section II. Rights and obligations of the parties to a security agreement

Article 10. Obligation to preserve an encumbered asset

A [party to a security agreement] [secured creditor] that is in possession of an encumbered asset must take reasonable steps to preserve the asset and its value.

[*Note to the Working Group: The Working Group may wish to consider whether, to ensure that this article would not result in preventing the grantor from selling the asset or in making it possible for the grantor to avoid this duty by relinquishing possession, the obligation to preserve the encumbered asset should be limited to the secured creditor (if the cost of preserving the encumbered asset exceeds its value, the secured creditor would normally not only relinquish possession but take other steps to address the lack of security). Alternatively, the matter could be addressed in the Guide to Enactment.*]

Article 11. Obligation of secured creditor to return an encumbered asset or register a cancellation notice

If the secured obligation has been fully satisfied and all commitments to extend credit have been terminated, the secured creditor must return an encumbered asset in its possession to the grantor, or register a cancellation notice as provided in article 50.

[*Note to the Working Group: The Working Group may wish to consider whether this article or the Guide to Enactment should address the obligation of an assignee to withdraw the notification to the debtor of the receivable.*]

Article 12. Rights of a secured creditor with respect to an encumbered asset

1. A secured creditor in possession of an encumbered asset is entitled:

(a) To be reimbursed for reasonable expenses incurred for the preservation of the asset;

(b) To make reasonable use of the asset; and

(c) To apply the monetary proceeds of the asset to the payment of the secured obligation.

2. A secured creditor is entitled to inspect an encumbered asset in the possession of the grantor [at all reasonable times] [in a reasonable manner].

[*Note to the Working Group: The Working Group may wish to consider whether the bracketed text in paragraph 2 of this article should be deleted as the obligation of the parties exercise their rights and perform their obligations in good faith and in a commercially reasonable manner is already addressed in article 4 (general standard of conduct).*]

Chapter III. Effectiveness of a security right against third parties

Article 13. Methods of third-party effectiveness

A security right is effective against third parties, if it has been created in accordance with article 5, paragraph 1, and:

(a) A notice with respect to the security right that meets the requirements of articles 25, 39, 46, 47 and [...] is registered in the general security rights registry [or in a specialized registry or title certificate, if any]; or

(b) The possession of the asset encumbered by the security right is transferred to the secured creditor.

[*Note to the Working Group: The Working Group may wish to consider whether subparagraph (a) of this article should refer to other articles setting forth requirements for a notice to achieve the third-party effectiveness of a security right.*]

Article 14. Automati third-party effectiveness of a security right in proceeds

1. If a security right in an encumbered asset is effective against third parties, a security right in any proceeds of the encumbered asset is effective against third parties without any new act when the proceeds arise or are acquired if:

(a) The proceeds are sufficiently described in the notice registered; or

(b) Consist of money, receivables, negotiable instruments or rights to payment of funds credited to a bank account.

2. If a security right in an encumbered asset is effective against third parties, a security right in any proceeds other than those referred to in paragraph 1 of this article is effective against third parties:

(a) For [a short period of time to be specified by the enacting State] days after the proceeds arise; and

(c) Thereafter, if it is made effective against third parties by one of the methods referred to in article 13 before the expiry of the time period provided in subparagraph (a).

[Article 15. Continuity in third-party effectiveness of a security right upon a change in the method of third-party effectiveness

1. A security right made effective against third parties by one of the methods referred to in article 13 may [subsequently] be made effective against third parties by another of those methods.

2. Even if there is a change in the method of third-party effectiveness, third-party effectiveness continues, provided that there is no time when the security right is not effective against third parties.]

[Article 16. Lapse in third-party effectiveness

If third-party effectiveness of a security right lapses, it may be re-established by any of the methods referred to in article 13. In such a case, the security right is effective against third parties only as of the time of re-establishment.]

[*Note to the Working Group: The Working Group may wish to consider that articles 15 and 16 appear within square brackets for further consideration in view of the doubts expressed with respect to those articles at the 24th session of the Working Group (see A/CN.9/796, paras. 58-61). The Working Group may wish to consider whether articles 15 and 16 could be merged in one article.*]

Article 17. Effect of a transfer of an encumbered asset

Except as otherwise provided in this Law, a security right does not become ineffective as against third parties solely because the encumbered asset is transferred.

[*Note to the Working Group: The Working Group may wish to consider whether the rule that a security right follows an encumbered asset in the hands of a transferee fits more in the chapter on creation and the exceptions to this rule (authorization of the transfer by the secured creditor or transfer in the ordinary*

course of business of the transferor) in the chapter on priority, or whether both the rule and its exceptions should be included in the chapter on priority.]

Article 18. Continuity in third-party effectiveness upon change of the applicable law to this Law

If a security right is effective against third parties under the law of another State whose law was applicable, and this Law becomes applicable, the following rules apply:

(a) The security right continues to be effective against third parties under this Law for [a short period of time to be specified by the enacting State] days after the change;

(b) The security right continues to be effective against third parties after the end of the time period referred to in subparagraph (a) if the third-party effectiveness requirements of this Law are satisfied prior to the end of that time period; and

(c) If the security right continues to be effective against third parties under subparagraph (a) and (b), the time when registration or third-party effectiveness was achieved for the purposes of the articles on priority is the time when it was achieved under the law of the other State.

[*Note to the Working Group: The Working Group may wish to note that the Guide to Enactment will explain that this article, which is based on recommendation 45 of the* Secured Transactions Guide, *is intended to apply to cases in which the draft Model Law becomes the applicable law by virtue of the conflict-of-laws rules of the forum (e.g., through a move of the location of the asset or the grantor to the enacting State) and is intended to give a secured creditor a grace period to ensure that the third-party effectiveness of its security right achieved under the previously applicable law continues under the draft Model Law (for a similar "transition" rule in the case of a change of the law of one and the same State, see rec. 231 of the* Secured Transactions Guide*).*]

United Nations A/CN.9/WG.VI/WP.59/Add.1

General Assembly

Distr.: Limited
27 January 2014

Original: English

United Nations Commission on International Trade Law
Working Group VI (Security Interests)
Twenty-fifth session
New York, 31 March-4 April 2014

Draft Model Law on Secured Transactions

Note by the Secretariat

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Chapter IV. The registry system

Section I. Establishment of the security rights registry and appointment of the registrar

Article 19. Establishment of the security rights registry

The security rights registry is established for the registration of notices with respect to security rights in accordance with this Law and the Regulation.

[*Note to the Working Group: The Working Group may wish to note that the term "Regulation" is defined in article 2. The Working Group may also wish to consider which of the definitions of the Registry Guide may need to be added to article 2. The Working Group may also wish to note that the Guide to Enactment will explain that the enacting State may establish the security rights registry under another law.*]

Article 20. Appointment of the registrar

The [the name of the appropriate executive or ministerial authority to be specified by the enacting State] is authorized to appoint and dismiss the registrar, and determine the registrar's duties.

Section II. Access to registry services

Article 21. Public access to registry services, conditions and rejection of access

1. The security rights registry is open to the public in accordance with this Law and the Regulation.

2. Any person may submit a notice to the registry for registration if that person:

(a) Uses the appropriate notice form prescribed by the [registrar] [Regulation];

(b) Identifies itself in the manner prescribed by the registrar; and

(c) Has paid, or made arrangements to pay to the satisfaction of the registrar, any fee prescribed by the [registrar] [Regulation].

3. Any person may submit a search request to the registry if that person:

(a) Uses the search request form prescribed by the [registrar] [Regulation]; and

(b) Has paid, or made arrangements to pay to the satisfaction of the registrar, any fee prescribed by the [registrar] [Regulation].

4. The reason for the rejection of access is communicated by the registrar to the registrant as soon as practicable.

[*Note to the Working Group: The Working Group may wish to consider whether both alternatives in square brackets in subparagraphs 2(a), 2(c), 3(a) and 3(b) of this article may be retained to leave it to each enacting State to determine*

whether these matters should be left to the registrar or settled in the Regulation. The Working Group may also wish to note that the term "registrar" is used instead of the term "registry" as the latter term is defined as a system and not as a person (the registrar may need to be defined to include the registry staff.]

Article 22. Rejection of a notice or search request

1. The registration of a notice is rejected by the registrar if no information is entered in one or more of the required designated fields or if the information provided is not legible.

2. A search request is rejected by the registrar if no information is entered in at least one of the fields designated for entering a search criterion or if the information is not legible.

3. The reason for the rejection is communicated by the registrar to the registrant as soon as practicable.

Article 23. No additional conditions to be imposed on access to registry services

1. Information about the registrant's identity is obtained from the registrant and maintained by the registrar in accordance with article 21, subparagraph 2 (b), but verification of that information is not required.

2. Evidence of the existence of the authorization of the person named in a notice as the grantor is not required for the registration of a notice.

3. Except as provided in article 22, the registrar does not reject the registration or conduct any scrutiny of the content of a notice submitted to the registry for registration.

[*Note to the Working Group: The Working Group may also wish to consider whether in this or other article of the draft Model Law, or in the Guide to Enactment, it should be indicated that, while the date and time of registration is maintained in the public record (see article 27, subpara. 2), the identity of the registrant is maintained in a part of the record of the registry that is not public. The Working Group may also wish to consider whether the identity of the registrant should be maintained in the archives after the notice to which it relates has been cancelled, removed from the public registry record and archived.*]

Section III. Registration (general)

Article 24. Grantor's authorization for registration

1. Registration of an initial notice is ineffective unless authorized by the grantor in writing, before or after registration.

2. Registration of an amendment notice is ineffective unless authorized by the grantor in writing, before or after registration, only if the amendment notice:

(a) Adds a description of new encumbered assets;

[(b) Increases the maximum amount for which the security right to which the registration relates may be enforced;]

(c) Adds a new grantor in which event the authorization of the new grantor is required unless the new grantor is a transferee of an encumbered asset described in a previously registered notice to which the amendment notice relates;

(d) [...].

3. [Unless otherwise agreed,] a written security agreement between the persons named in a notice as the grantor and the secured creditor, or a written agreement that amends their security agreement, is sufficient to constitute authorization for the registration of a notice covering the assets described therein.

[*Note to the Working Group: The Working Group may wish to note that the registration of an amendment notice that adds encumbered assets or increases the maximum amount may affect intervening secured creditors, and therefore takes effect only when the registration of the amendment notice (not the initial notice) becomes effective (see article 27 below). The Working Group may also wish to note that: (a) if an amendment notice adds encumbered assets that are the proceeds of encumbered assets described in a previously registered notice, there is no need to obtain the grantor's additional authorization, as the security right extends to proceeds by law (see article 8); and (b) if the proceeds are cash proceeds or are sufficiently described in a previously registered notice, there is no need to register an amendment notice (see article 14, para. 1). The Working Group may also wish to note that the bracketed text in paragraph 3, which was included at the request of the Working Group for further consideration (see A/CN.9/796), may not be necessary in view of the new text of article 3 on party autonomy.*]

Article 25. A notice may relate to more than one security right

A single notice may relate to one or more than one security right arising under one or more than one security agreement between the secured creditor and the grantor identified in the notice.

[*Note to the Working Group: The Working Group may wish to consider whether in the text of this article or in the Guide to Enactment it should be pointed out that the registration of a single notice is sufficient to make effective against third parties a security right in encumbered assets that are not necessarily described in the notice, notably in cash proceeds (see article 14, para. 1).*]

Article 26. Time when a notice may be registered

1. An initial or amendment notice may be registered before or after the conclusion of the security agreement, or any agreement amending the security agreement, to which the notice relates.

2. A cancellation notice may be registered at any time.

Article 27. Time of effectiveness of a registered notice

1. The registration of an initial or amendment notice is effective from the date and time when the information in the notice is entered into the registry record so as to be accessible to searchers of the public registry record.

[2. The date and time when the information in an initial or amendment notice is entered into the registry record so as to be accessible to searchers is indicated in the public registry record.

3. Information in initial or amendment notices is entered into the registry record as soon as practicable after the notices are submitted and in the order in which they were submitted.]

4. The registration of a cancellation notice is effective from the date and time when the information in any initial or amendment notice to which it relates is no longer accessible to searchers of the public registry record.

[5. The date and time when the information in any initial or amendment notice to which a cancellation notice relates is no longer accessible to searchers is indicated in the registry record.]

[*Note to the Working Group: The Working Group may wish to consider whether paragraphs 2 and 5 of this article that appear within square brackets should be deleted, while the Guide to Enactment could explain that these matters should be addressed in the Regulation.*]

Article 28. Period of effectiveness of a registered notice

Option A

1. A registered notice is effective for [a period of time to be specified by the enacting State].

2. The period of effectiveness of a registered notice may be extended by the registration of an amendment notice indicating this intent in the designated field within [a period of time, such as six months, to be specified by the enacting State] before its expiry.

3. The registration of an amendment notice in accordance with paragraph 2 of this article extends the period of effectiveness for [the period of time specified in paragraph 1 of this article] beginning from the time the current period would have expired if the amendment notice had not been registered.

Option B

1. A registered notice is effective for the period of time indicated by the registrant in the designated field in the notice.

2. The period of effectiveness of a registered notice may be extended at any time before its expiry by the registration of an amendment notice that indicates in the designated field a new period of effectiveness.

3. The registration of an amendment notice in accordance with paragraph 2 of this article extends the period of effectiveness for the period of time specified in the amendment notice beginning from the time the current period would have expired if the amendment notice had not been registered.

Option C

1. A registered notice is effective for the period of time indicated by the registrant in the designated field in the notice, not exceeding [a maximum period of time to be specified by the enacting State].

2. The period of effectiveness of a registered notice may be extended within [a period of time, such as six months, to be specified by the enacting State] before its expiry by the registration of an amendment notice that indicates in the designated field a new period of effectiveness not exceeding [the maximum period of time specified in paragraph 1.

3. The registration of an amendment notice in accordance with paragraph 2 of this article extends the period of effectiveness for the period of time specified in the amendment notice beginning from the time the current period would have expired if the amendment notice had not been registered.

Article 29. Organization of information in registered notices

The registry record is organized so that:

(a) A unique registration number is assigned to a registered initial notice and all registered amendment and cancellation notices that contain that number are associated with the initial notice in the registry record;

(b) The information in a registered initial and in any associated registered notices can be retrieved by a search of the registry record that uses the identifier of the grantor or the registration number assigned to the initial notice as the search criterion;

(c) The identifier and address of the person identified as the secured creditor in multiple registered notices can be amended by the registration of a single global amendment notice; and

(d) The registration of an amendment or cancellation notice does not result in the deletion or modification of information contained in any associated registered notices.

[*Note to the Working Group: The Working Group may wish to consider whether a definition of the term "registration number" should be included in article 2.*]

Article 30. Preservation of integrity of the information in registered notices

1. Except as provided in articles 32 and 33, information contained in registered notices may not be amended or removed by the registrar from the registry record.

2. The information contained in registered notices is backed up so as to allow reconstruction in the event of loss or damage.

[Article 31. Obligation to send a copy of a registered notice

1. A copy of the information in a registered notice, indicating the date and time when the registration of the notice became effective and the registration number, is

sent by the registrar to the person identified in the notice as the secured creditor at the address set forth in the notice, as soon as practicable after its registration.

2. Within [a short period of time, such as ten days, to be specified by the enacting State] after the person identified in a registered notice as the secured creditor has received a copy of a registered notice in accordance with paragraph 1 of this article, that person must send a copy of the registered notice to the person identified in the notice as the grantor at the address set forth in the notice, or if that person knows that the address has changed, at the most recent address known to that person or an address reasonably available to that person.]

[*Note to the Working Group: The Working Group may wish to note that, in view of the decision of the Working Group at its 24th session (see A/CN.9/796, para. 87), this article appears within square brackets for further consideration. The Working Group may also wish to consider whether this article should be split in two, one dealing with the obligation of the registrar and the other dealing with the obligation of the secured creditor. The Working Group may also wish to note that paragraph 2 of this article includes changes aimed at simplifying the rule contained in recommendation 18 of the Registry Guide, on which it is based.*]

Article 32. Removal of information from the public registry record and archival

1. Information in a registered notice is removed from the public registry record upon the expiry of the period of effectiveness of the notice in accordance with article 28 or upon registration of a cancellation notice in accordance with article 46 or 47.

2. Information removed from the public registry record in accordance with paragraph 1 of this article is archived for a period of at least [a long period of time, such as, for example, twenty years, to be specified by the enacting State] in a manner that enables the information to be retrieved by the registry in accordance with article 29, subparagraph (b).

Article 33. Language in which information in a notice must be expressed

The information contained in a notice must be expressed in [the language or languages to be specified by the enacting State] and in the character set determined and publicized by the registry.

[*Note to the Working Group: The Working Group may wish to consider whether this article should be retained or deleted and the matter addressed therein discussed in the Guide to Enactment. If the Working Group decides that this article should be retained, it may wish to consider its placement in the draft Model Law (for example, whether it should follow article 22, which provides that a notice that is illegible is rejected). Alternatively, the Working Group may wish to consider whether the article 41 should provide that where the information in a registered notice is not expressed in the required language or languages the registration of the notice is ineffective or ineffective if it would seriously mislead a reasonable searcher.*]

[Article 34. Correction of errors by the registrar

1. If the registrar makes an error or omission in entering into the registry record the information contained in a paper notice submitted to the registry for registration or erroneously removes from the registry record all or part of the information contained in a registered notice, promptly after discovering the need for the correction or restoration, the registrar must

Option A

register a notice to correct the error or omission, or restore the erroneously removed information and send a copy of the notice to the secured creditor.

Option B

inform the secured creditor identified in the registered notice so as to enable the secured creditor to register a notice to correct the error or omission or restore the erroneously removed information.

2. If a notice referred to in paragraph 1 of this article is registered, it is effective

Option A

as of the time it becomes accessible to searchers of the registry record.

Option B

as of the time it becomes accessible to searchers of the registry record, except that the security right to which the notice relates retains the priority it would otherwise have under the Law over the right of a competing claimant that acquired its right prior to the registrar's error or omission or the registrar's erroneous removal of the information.

Option C

as if the error or omission had never been made or the information had never been erroneously removed.

Option D

as if the error or omission had never been made or the information had never been erroneously removed, except that the security right to which the notice relates is subordinate to the right of a competing claimant that would have priority if the notice were treated as effective only from the time of its registration and that acquired its right in reliance on a search of the registry record made before the notice was registered, provided the competing claimant did not have actual knowledge of the error or omission or the erroneous removal of the information at the time it acquired its right.]

[*Note to the Working Group: The Working Group may wish to note that the options set out in this article parallel, with the necessary modifications, the options set out in article 43, paragraph 3, dealing with the effectiveness of amendment or cancellation notices not authorized by the secured creditor. Accordingly, the Guide to Enactment will explain that an enacting State should take into account both*

articles in determining which option to adopt to ensure that the options selected are compatible.]

[Article 35. Liability of the registrar

Alternative A

Any liability that the registrar may have under other law for loss or damage caused to a person by an error or omission in the administration or operation of the registry is limited to:

(a) An error or omission in a search result issued to a searcher or in a copy of a registered notice sent to the secured creditor [up to an amount of [maximum amount of liability to be specified by the enacting State]; and

(b) Loss or damage caused by an error or omission on the part of the registrar in entering or failing to enter into the registry record the information contained in a paper notice or in erroneously removing all or part of the information contained in a registered notice from the registry record [up to an amount of [maximum amount of liability to be specified by the enacting State]].

Alternative B

The registrar is not liable for loss or damage caused to a person by an error or omission in the administration or operation of the registry.]

[*Note to the Working Group: The Working Group may wish to note that the Guide to Enactment will explain that: (a) alternative A of this article is intended to leave the issue of the liability of the registrar (or the enacting State) for loss or damage caused by an error or omission in the administration or operation of the registry to other law of the enacting State and, if liability is foreseen by that other law, to limit that liability to the types of errors or omissions listed in alternative A (which may be covered by a compensation fund that the registrar or the enacting State may wish to establish and pay from the registry fees); and (b) alternative B is intended to exclude any liability of the registry (or the enacting State) for errors or omissions in relation to the administration or operation of the registry. The Working Group may further wish to note that alternative A does not contemplate any liability for the alleged failure of the registry system to properly or completely enter information directly submitted by a registrant electronically since it would be impossible to prove that this was due to the fault of the system as opposed to the registrant's own error or omission but that the secured creditor is still protected since the registrar is obligated to send a copy of the registered notice to the secured creditor who can then verify the accuracy and completeness of the information. Finally, the enacting State may also wish to address liability for false or misleading information provided by the registrar or registry staff to registrants or searchers.*]

Section IV. Registration of initial notices

Article 36. Information required in an initial notice

An initial notice submitted to the registry for registration must contain the following items of information set out in the designated field for each item:

(a) The identifier and address of the grantor [and any additional item of information that the enacting State may decide to permit or require to be entered to assist in uniquely identifying the grantor];

(b) The identifier and address of the secured creditor or its representative; [and]

(c) A description of the encumbered asset;

[(d) The period of effectiveness of the registration;[1] and

(e) A statement of the maximum amount for which the security right to which the registered notice relates may be enforced.][2]

Article 37. Determination of grantor identifier

1. Where the grantor is a natural person:

(a) [Subject to subparagraph 1(c) of this article, the] [The] identifier of the grantor is the name of the grantor, as it appears in [the official documents on the basis of which the grantor's name should be determined and the hierarchy among those official documents, to be specified by the enacting State];

(b) [The enacting State should specify the various components of the grantor's name that must be entered in the prescribed registry notice form and provide the designated fields for each component in the notice]; and

(c) [The enacting State should address the possibility that the name of the grantor as it appears in the relevant document or source specified in subparagraph 1(a) of this article may have been changed in accordance with applicable change of name law and whether, in this eventuality, it should specify that the new name of the grantor should be entered.]

2. Where the grantor is a legal person, the grantor identifier is the name of the grantor that appears in the most recent [document, law or decree to be specified by the enacting State] constituting the legal person.

3. [The enacting State should specify whether additional information must be entered in the designated field of the prescribed registry notice form in special cases, such as where the grantor is subject to insolvency proceedings, a trustee, or a representative of the estate of a deceased person.]

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[1] This provision will be necessary, if the enacting State implements option B or C of article 28.

[2] This provision will be necessary, if the enacting State decides to require an indication in a registered notice of the maximum monetary amount for which the security right to which the notice relates may be enforced (see *Secured Transactions Guide*, rec. 57, subpara. (d)).

Article 38. Impact of a change of the grantor's identifier after registration

1. If the grantor's identifier changes after a notice is registered and the secured creditor registers an amendment notice adding the new identifier of the grantor within [a short period of time, such as thirty days, to be specified by the enacting State] after the change, the security right to which the notice relates retains its third-party effectiveness and priority.

2. If the grantor's identifier changes after a notice is registered and the secured creditor registers an amendment notice adding the new identifier of the grantor after the expiration of the time period indicated in paragraph 1 of this article, the security right to which the notice relates is:

(a) Subordinate in priority to a competing security right with respect to which a notice is registered or which is otherwise made effective against third parties after the change in the grantor's identifier but before the registration of the amendment notice; and

(b) Ineffective against a person that buys, leases or licenses the encumbered asset after the change in the grantor's identifier but before the registration of the amendment notice.

[*Note to the Working Group: The Working Group may wish to note that the Guide to Enactment will explain that: (a) if the secured creditor registers the amendment notice during the "grace period" contemplated in paragraph 1 of this article, the third-party effectiveness and priority of its security right is preserved as against the categories of competing claimants described in this article even if they acquired their rights prior to the registration of the amendment notice; (b) while a secured creditor's failure to register an amendment notice adding the grantor's new identifier has the negative priority consequences against the categories of competing claimants described in this article, it does not prejudice the third-party effectiveness or priority of its security right as against other categories of competing claimants such as the grantor's insolvency representative; (c) while the "grace period" begins to run from the time of the name change regardless of whether or not the secured creditor actually knew about the name change before the expiry of that period, the later registration of an amendment notice will still protect the secured creditor as against the categories of competing claimants described in this article if their rights arise after the registration; and (d) an amendment notice must be registered for the purposes of the rules stated in this article only if the name change would make the registration irretrievable by a searcher using the new name of the grantor as the search criterion.*]

Article 39. Determination of secured creditor identifier

1. Where the secured creditor is a natural person, the secured creditor identifier is the name of the secured creditor as it appears in [the official documents on the basis of which the secured creditor's name should be determined and the hierarchy among those official documents, to be specified by the enacting State].

2. Where the secured creditor is a legal person, the secured creditor identifier is the name of the secured creditor that appears in the most recent [document, law or decree to be specified by the enacting State] constituting the legal person.

3. [The enacting State should specify whether additional information must be entered in the designated field of the prescribed registry notice form in special cases, such as where the secured creditor is subject to insolvency proceedings, a trustee, or a representative of the estate of a deceased person.]

Article 40. Sufficient description of encumbered assets

1. The encumbered assets must be described in the designated field of the notice in a manner that reasonably allows their identification.

2. A generic description that refers to all of the grantor's movable assets within a generic category includes all of the grantor's present and future assets within that category.

3. A generic description that refers to all of the grantor's movable assets includes all of the grantor's present and future movable assets.

Article 41. Impact of errors in required information

1. The secured creditor is responsible for ensuring that the information in a notice submitted to the registry for registration is set forth in the correct designated field in the notice and that the information is accurate and complete, and conforms to the requirements of the Law and the Regulation.

2. An incorrect statement of the grantor identifier in a notice does not render the registration of the notice ineffective if the notice would be retrieved by a search of the registry record using the grantor's correct identifier as the search criterion.

3. Except as provided in paragraph 4 of this article, an incorrect or insufficient statement of the information required in a notice other than the grantor's identifier does not render the registration of the notice ineffective unless the error would seriously mislead a reasonable searcher.

[4. An incorrect statement in a notice with respect to the period of effectiveness of registration[3] or the maximum amount for which the security right may be enforced,[4] does not render a registered notice ineffective[, except to the extent it seriously misled third parties that relied on the information set out on the registered notice].]

5. An incorrect statement of the grantor identifier in a notice does not render the registration of the notice ineffective with respect to other grantors correctly identified in the notice.

6. An insufficient description of an encumbered asset in a notice does not render the registration of the notice ineffective with respect to other encumbered assets sufficiently described.

[*Note to the Working Group: The Working Group may wish to consider whether the bracketed text at the end of paragraph 4 (which comes from rec. 29, subpara. (c) of the Registry Guide, which in turn comes from rec. 66 of the Secured Transactions Guide) should be retained. While if the period of effectiveness or*

[3] This provision will be necessary, if the enacting State implements option B or C of article 28.

[4] This provision will be necessary, if the enacting State decides to require an indication in a registered notice of the maximum monetary amount for which the security right to which the notice relates may be enforced (see *Secured Transactions Guide*, rec. 57, subpara. (d)).

maximum amount indicated in the notice is greater or lower than it was actually intended, the notice is effective and third parties relying on the notice as it appears on the registry record are protected (this point may be clarified in the Guide to Enactment or in para. 4 of this article). In this respect, the Working Group may wish to note that the Guide to Enactment will explain that: (a) the reference to a reasonable searcher in paragraph 3 means that the "seriously misleading test" in this paragraph is objective (that is, it is not necessary for a competing claimant to establish that it was actually misled as a result of the error in order for an error that would be seriously misleading from the perspective of a reasonable searcher to render a registration ineffective); and (b) the reference in paragraph 4 to parties that actually relied to their detriment on an erroneously stated registration period or maximum amount in a registered notice means that the "seriously misleading test" in this paragraph is subjective (that is, a third party challenging the notice needs to establish that it was actually misled as a result of the error; see Secured Transactions Guide, chap. IV, paras. 84 and 96).]

Article 42. Impact of a transfer of an encumbered asset after registration

Option A

1. If an encumbered asset covered by a registered notice is transferred after the notice is registered and the secured creditor registers an amendment notice adding the transferee's name as a new grantor within [a short period of time, such as thirty days, to be specified by the enacting State] after the transfer, the security right to which the notice relates retains its third-party effectiveness and priority.

2. If the secured creditor registers an amendment notice adding the transferee's name as a new grantor after the expiration of the time period indicated in paragraph 1 of this article, the security right to which the notice is:

(a) Subordinate in priority to a competing security right with respect to which a notice is registered or which is otherwise made effective against third parties after the transfer but before the registration of the amendment notice; and

(b) Ineffective as against the right of a person that buys, leases or licenses the encumbered asset after its transfer but before the registration of the amendment notice.

Option B

1. If an encumbered asset covered by a registered notice is transferred after the notice is registered and the secured creditor registers an amendment notice adding the transferee's name as a new grantor within [a short period of time, such as thirty days, to be specified by the enacting State] after the transfer, the security right to which the notice relates retains its third-party effectiveness and priority.

2. If the secured creditor registers an amendment notice adding the transferee's name as a new grantor after expiration of the time period indicated in paragraph 1 of this article, starting when the secured creditor acquires knowledge about the transfer of the encumbered asset, the security right to which the notice relates:

(a) Is subordinate to a security right with respect to which a notice is registered or which is otherwise made effective against third parties after the transfer but before the registration of the amendment notice; and

(b) Is ineffective as against a right of a person that buys, leases or licenses the encumbered asset after its transfer but before the registration of the amendment notice.

Option C

Registration of an initial or amendment notice in the security rights registry remains effective notwithstanding a transfer of the encumbered asset.

[*Note to the Working Group: The Working Group may wish to consider whether it should be clarified in this article or in the Guide to Enactment that this article does not apply to outright transfers of receivables. Outright transfers of receivables fall within the scope of the Law and the transferee must register in order to make its right effective against third parties in the same way as a secured creditor that acquires a security right in receivables.*]

Section V. Registration of amendment and cancellation notice

Article 43. Secured creditor's authorization

1. The person identified in the notice as the secured creditor may register an amendment or cancellation notice relating to that initial notice at any time.

2. In the case of a change in the secured creditor identified in a registered initial notice, the new secured creditor may register an amendment or cancellation notice relating to the initial notice at any time after the change.

Option A

3. The registration of an amendment or cancellation notice is effective regardless of whether it was authorized by the secured creditor in writing or ordered by a judicial or administrative authority, before or after registration.

Option B

3. The registration of an amendment or cancellation notice is effective regardless of whether it was authorized by the secured creditor in writing or ordered by a judicial or administrative authority, before or after registration, except that it does not affect the third-party effectiveness or priority of the security right to which it relates as against the right of a competing claimant over which the security right had priority immediately before the registration of the amendment or cancellation notice.

Option C

3. The registration of an amendment or cancellation notice is not effective if it was not authorized by the secured creditor in writing or ordered by a judicial or administrative authority, before or after registration.

Option D

3. The registration of an amendment or cancellation notice is not effective if it was not authorized by the secured creditor in writing or ordered by a judicial or administrative authority, before or after registration, except that it does not affect the priority of the security right to which it relates as against the right of a competing claimant which would have priority if the registration were treated as effective and which was acquired in reliance on a search of the registry record made after the amendment or cancellation notice was registered provided the competing claimant did not have actual knowledge that the registration of the notice was unauthorized at the time it acquired its right.

[*Note to the Working Group: The Working Group may wish to note that the matter addressed in this article was not dealt with in the Secured Transactions Guide but it was discussed in the Registry Guide (paras. 258-268). The Working Group may also wish to consider whether options C and D of this article are compatible with the Secured Transactions Guide (rec. 74) and the Registry Guide (rec. 20), according to which upon registration of a cancellation notice, information contained in a registered notice is to be removed from the public registry record and archived.*]

Article 44. Information required in an amendment notice

1. An amendment notice must contain the following items of information in the designated field for each item:

(a) The unique registration number assigned by the registry to the initial notice to which the amendment relates; and

(b) The information to be added, deleted or changed, as the case may be.

2. An amendment notice may relate to one or more than one item of information in a notice.

Article 45. Global amendment of secured creditor information

Option A

A person may register a single global amendment notice to amend its identifier and address in all registered notices in which it is identified as the secured creditor.

Option B

A person may request the registrar to register a single global amendment notice to amend its identifier and address in all registered notices in which it is identified as the secured creditor.

[*Note to the Working Group: The Working Group may wish to note that the Guide to Enactment will explain that, if an enacting State adopts the first option stated in this article, it will need to establish special access procedures to enable a*

person to identify all notices in which it is named as the secured creditor and to register a global amendment notice, since the identifier of the secured creditor is not a search criterion generally available to the public for searching the public registry record.]

Article 46. Information required in a cancellation notice

A cancellation notice must contain in the designated field the unique registration number assigned by the registry to the initial notice to which the cancellation relates.

Article 47. Compulsory registration of an amendment or cancellation notice

1. The secured creditor must register an amendment or cancellation notice, as the case may be, if:

(a) The registration of an initial or amendment notice has not been authorized by the grantor at all or the notice contains information that exceeds the scope of the grantor's authorization;

(b) The registration of an initial or amendment notice has been authorized by the grantor but the authorization has been withdrawn and no security agreement has been concluded;

(c) The security agreement to which the registered notice relates has been revised in a way that makes some or all of the information contained in the notice incorrect or insufficient and the grantor has not otherwise authorized the registration; or

(d) The security right to which the notice relates has been extinguished by payment or other performance of the secured obligation or otherwise and there is no further commitment by the secured creditor to extend credit secured by the encumbered assets to which the notice relates.

2. In a case falling within of subparagraphs 1(b) to (d) of this article, the secured creditor may charge the grantor any fee agreed between them for registering an amendment or cancellation notice.

3. Not later than [a short period of time, such as fifteen days, to be specified by the enacting State] days after receipt of a written request from the grantor, the secured creditor must comply with its obligation under subparagraph 1(a) of this article.

4. Notwithstanding paragraph 2 of this article, no fee or expense may be charged or accepted by the secured creditor for complying with a written request from the grantor sent in accordance with paragraph 3 of this article.

5. If the secured creditor does not comply with the grantor's request within the time period indicated in paragraph 3 of this article, the grantor is entitled to seek the registration of an amendment or cancellation notice, as the case may be, through [a summary judicial or administrative procedure to be established by the enacting State].

6. The grantor is entitled to seek the registration of an amendment or cancellation notice, as the case may be, in accordance with the procedure referred to in paragraph 5 even before the expiry of the time period indicated in paragraph 3 of this article.

7. An amendment or cancellation notice, as the case may be, ordered to be registered in accordance with the procedure referred to in paragraph 5 of this article is registered by

Option A

the registrar as soon as practicable after the notice is submitted to the registry for registration with a copy of the relevant judicial or administrative order attached.

Option B

the judicial or administrative officer who ordered the notice to be registered as soon as practicable after the issuance of the relevant judicial or administrative order with a copy thereof attached.

Section VI. Searches

Article 48. Search criteria

A search of the public registry record may be conducted according to:

(a) The identifier of the grantor; or

(b) The registration number assigned to the registered notice.

Article 49. Search results

Option A

1. A search result that indicates the date and time when the search was performed and either lists any registered notices that contain information that matches the search criterion provided by the searcher exactly and sets forth the registration history and all the information contained in these notices, or indicates that no registered notice contains information that exactly matches the search criterion provided by the searcher.

Option B

1. A search result that indicates the date and time when the search was performed and either lists any registered notices that contain information that matches the search criterion provided by the searcher exactly and closely, and sets forth the registration history and all the information contained in these notices, or indicates that no registered notice contains information that exactly or closely matches the search criterion provided by the searcher.

2. An official search certificate indicating the search result may be issued by the registrar at the request of the searcher.

[Note to the Working Group: The Working Group may wish to consider whether references to close matches in this article should apply only to searches against the grantor identifier and not the registration number if the enacting States implements a close-match system. There does not seem to be a commercial or practical reason for close matches with respect to registration numbers. The Working Group may also wish to note that the Guide to Enactment will explain that if an enacting State chooses to implement the type of close match system contemplated by alternative B, the rules used by the registry for determining what constitutes a close match should be specified and publicized.]